

Directions Governing the Custody and Disposal of Clients' Equity-type Foreign Securities Obtained through Physical Delivery of Domestic and Offshore Structured Products or Structured Notes by Banks (Including OBUs)

1. These directions are stipulated for the purpose of the custody business of banks (including OBUs, same hereunder) under Article 3, Subparagraph 21 of the Banking Law or Article 4, Paragraph 1, Subparagraph 9 of the Offshore Banking Act and the custody and disposal of clients' equity-type foreign securities obtained through physical delivery of domestic and foreign structured products or structured notes.
2. When banks engage in transactions of the following products with clients for physical delivery (including conversion based on product terms) of foreign securities with equity-type, banks may maintain custody of such securities on behalf of clients and appoint securities firms (including OSUs, same hereunder) to dispose of such assets (only selling is permitted) based on clients' instructions:
 - (1) Domestic structural products defined in Paragraph 2, Article 2 of the Regulations Governing Internal Operating Systems and

Procedures for Banks Conducting Financial Derivatives Business.

- (2) Offshore structured products under Subparagraph 2 and Subparagraph 5 and domestic structured notes under Subparagraph 6, Paragraph 1, Article 5 of the Regulations Governing Banks Conducting Financial Products and Services for High-Asset Customers which are offered by proprietary trading. However, OBUs of banks are only applied to offshore structured products issued in accordance with Subparagraph 5 and domestic structured in accordance with Subparagraph 6, Paragraph 1, Article 5 of the foregoing Regulations.
 - (3) Structured notes denominated in foreign currencies traded by OBUs, operating concurrent proprietary trading in bonds in accordance with Paragraph 1, Article 5 of the Regulations Governing Securities Trading on the Taipei Exchange, with professional institution investors and high net worth corporate investors defined in Paragraph 3, Article 3 of the Regulations Governing Offshore Structured Products, and professional institution investors or funds with total assets in excess of NT\$100 million in their financial statements.
3. When the bank processes operations in the preceding article, it must open a securities account in the name of the custodian bank in a domestic securities firm to dispose of the client's securities. The operating procedures are as follows:
- (1) The custodian bank must sign a written commission document

with the client to specify their rights and obligations, and store records for future reference.

- (2) When the client instructs the bank to dispose of the securities, the bank shall, as the custodian bank, commission a securities firm to dispose of the securities.
 - (3) After completing transactions, the bank shall process the delivery of the securities in accordance with the instructions of the securities firm. The transaction payment shall be transferred to the account of the custodian bank for the bank to transfer to the deposit account of the client.
4. Where the custodian bank maintains custody or disposes of the securities on behalf of clients in accordance with Article 2, the regulations are as follows:
- (1) The custodian bank must sign a written commission document with the client to specify their rights and obligations, and store records for future reference. The commission document shall specify the role of the custodian bank (if there is a sub-custodian bank, it shall be included) and the legal relations, rights and obligations of the securities firm and the client.
 - (2) The custodian bank shall exercise the due care of a good administrator in the performance of the contract in accordance with the commission documents, custodian contract, and related regulations.
 - (3) The assets entrusted by the client for custody must be separate and independent from the custodian bank's own assets. In

addition, separate accounting must be set up to manage the securities obtained by the client based on conditions in Article 2 (including stock dividends and securities after demerger) and the other securities entrusted by the client for custody.

- (4) Unless otherwise prescribed by law or the commission document or custodian contract, the custodian bank shall, before the agreed business day after the end of each month, deliver the transaction statements and inventory of assets in the previous month to the client through the specified method. Where the client inquires the current state of the assets or requests verification, the bank shall provide information.
- (5) The custodian bank and its legal representative or employees shall maintain the confidentiality of client data, which shall not be disclosed to other individuals except where such disclosure complies with the regulations in the commission document, custodian contract, or related regulations.